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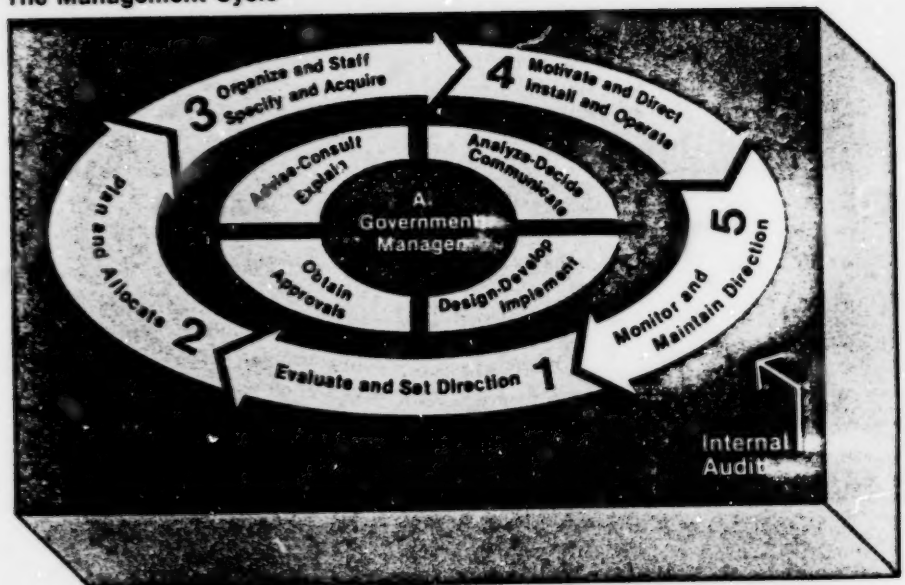
Management
Board
of Cabinet

OPS Management
Series

Internal Audit

Processes
philosophy
principles
standards
processes
philosophy
principles
standards
processes
philosophy

The Management Cycle



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Preface

The Management Standards Project was approved by the Management Board and Cabinet in March, 1980. Its purpose is to lay the groundwork for further improving management in the Ontario Public Service over the next decade by:

- establishing a basic framework for managing in the '80's;
- developing a publications series which includes standards for the quality of management in the '80's; and
- ensuring that forums for dialogue on management issues and initiatives are established.

Ontario's Management Philosophy was published in early 1981 as a cornerstone to this series of booklets on principles and standards for management processes. The Philosophy states that:

"... the management process channels, in a purposeful manner, the vitality of each individual. It brings people together in goal-oriented teams and creates an efficient network of communication."

This booklet is one of the first published which describes a ministry management process and sets standards for that process. The framework within which the "Ministry Management Processes" series is organized is the Management Cycle. This booklet falls into the "Monitor and Maintain Direction" group.

This booklet was developed through the involvement of many ministry staff and executives, for use by ministries as a set of criteria against which the quality of their audit process can be measured. The Management Standards Project gratefully acknowledges the contribution of all those involved.

The standards in this booklet must be open to revision as times and needs change. It is recognized that no ministry will measure up to all the principles and standards immediately, but that every ministry meets some of the standards and has a process base on which to build.

The Management Standards Project, will work closely with the Civil Service Commission and ministries, in encouraging the development of comprehensive training and education programs to complement these process publications, and will continue to establish forums for dialogue.

Whatever method of accountability for meeting standards is applied, ministry managers should use these as one basic self-measure of the quality of their management. The driving force in the attainment of management standards will continue to be a self-imposed striving for excellence.

September 30, 1981.

1. Introduction

Purpose

This booklet is to provide senior management with the key principles and management standards essential for a successful internal audit process. Senior management will then be able to evaluate whether these principles and standards are being met in their ministry.

In this context, senior management comprises those officials who are in the position of evaluating audit processes. The Deputy Minister is invariably one of those officials, but other senior ministry staff, for example members of an Audit Committee, may also be in this position.

This booklet sets principles and standards for the core functions of Internal Audit in ministries based on the new role, but is not intended to necessarily encompass related functions such as operational review.

Structure

The booklet contains two parts and several appendices.

Chapter 2 provides a basic understanding of recent trends in internal auditing and of the objectives, role and potential benefits of the Internal Audit Process.

Chapter 3 deals with the key principles and standards to be used by senior management in evaluating their own Internal Audit Process.

Terminology

Throughout this booklet a number of terms are used which have a specific meaning within the context of the Internal Audit Process. The commonly agreed definitions are:

Control

Maintaining the direction established for a ministry by its management. Emphasis is on monitoring results to ensure that they meet management's expectations and assist management in maintaining accountability.

Financial Control

The activities concerned with:

- (i) safe-guarding funds and other public property;
- (ii) ensuring compliance with legislative, central agency and ministry authorities; and
- (iii) providing financial information for ministry management decision making and for higher levels of authority.

Management Control

The activities concerned with ensuring that there is due regard to economy and efficiency and that appropriate procedures to evaluate and report program effectiveness, where such are feasible, are in place and operating satisfactorily.

Economy

The terms and conditions under which the Government acquires human and material resources. An economical operation acquires these resources in appropriate quality and quantity at the lowest cost.

Efficiency

The relationship between goods or services produced and resources used to produce them. An efficient operation produces the optimum output for a given level of resources. Efficiency is obviously more measurable and/or controllable in some situations than in others.

Effectiveness

The extent to which a program achieves its goals or intended effects. Management procedures for measuring and reporting effectiveness will differ between programs, and not all programs are equally evaluable in terms of effectiveness.

2. The Internal Audit Function

Current Trends in Internal Audit

In order to add perspective to the material contained in this part, it is necessary to summarize briefly recent changes in the concept of the audit function.

The concerns of the internal audit function in government are expanding. Traditionally, internal audit has been concerned in the main with the evaluation of financial controls. Now, in addition to these traditional concerns, management control processes are increasingly being evaluated by internal audit groups. There are several reasons for this:

Value for Money

There is a growing public concern that the government provide maximum public benefit and value for tax dollars.

At the legislative level, public interest has been reflected in The Audit Act, 1977. The Provincial Auditor, by this new Act, is given authority to report on any expenditure of money made without due regard to economy and efficiency or where procedures to measure and report on the effectiveness of programs are not established or are deemed unsatisfactory.

Accordingly, a growing proportion of the Provincial Auditor's findings is concerned with value-for-money issues. These may include such basic concerns as whether program objectives have been sufficiently well-defined and whether financial resources are being allocated with due regard for overall effectiveness and economy. In addition to its concern with the accountability of public servants, the Public Accounts Committee has indicated very strong interest in the attainment of value-for-money in the expenditure of public funds.

The thrust towards attaining better value-for-money places greater emphasis on ministry management processes for ensuring that managers achieve and can, wherever possible, measure efficiency, economy and effectiveness. In their role as evaluators of management control processes on behalf of management, internal auditors are becoming involved in the value-for-money effort.

Constraint

For a number of years, Cabinet has had in place a policy of restraining the rate of growth in government expenditure, in order to reduce the burden of government on the economy, and to free resources for more productive use in the private sector. The constraint effort also focuses attention on value-for-money since new initiatives are generally funded from within limited total resources.

Accountability

The obligation to answer for responsibilities conferred is a matter of growing concern in government. The public expects government to be accountable for its management of public funds. As the complexity of government increases, greater delegation of authority occurs, generating the need to account for the exercise of delegated authority.

Ontario's Management Philosophy points out that decentralization of decision-making is basic to the successful operation of the Ontario Government and that internal accountability requires that every manager explain and respond through reporting channels.

Increasingly, the internal auditor is expected to audit management reporting systems and other processes needed to provide accountability.

Another significant development in internal auditing is the increasing reliance on internal audit groups by organizations outside the ministry. The Provincial Auditor has recently reviewed internal audit groups to determine whether he can accept their findings.

The Management Board Secretariat and the Ministry of Treasury and Economics rely upon internal audit groups to carry out the auditing requirements associated with their corporate policies. This has led to the need for standards to assure these central agencies and the Provincial Auditor that auditing is being done competently.

Objectives

Developing, implementing and maintaining control is a management responsibility. **Evaluating the effectiveness of the control function on behalf of management is the primary function of internal audit.** Internal Auditing is to assist the Deputy Minister and other ministry personnel in the effective discharge of their responsibilities and can be described under these three aspects of internal audit:

- assurance;
- timely reporting; and
- change.

Assurance

that control processes are satisfactory or that improvements are necessary: findings should be supported by a description of the work carried out in arriving at conclusions and opinions and should include an assessment of the risks involved where weaknesses are found.

Timely Reporting Of Information

to management concerning potential control problems or issues. Examples might include: recommendations made and not implemented; policies or directives which are no longer viable; the reliability of information supplied through the MBR reporting process and new systems and information relating to safety or security.

Change

in assisting in the correcting of weakness. The auditor's relationships with auditees, the way in which his report is expressed and his credibility and reputation increase the likelihood that the audit process will lead to constructive change.

Role

This booklet as one of the Ministry Management Process series is written within the framework of the management cycle.

Internal audit has been described, in part, by the Institute of Internal Auditors as "a managerial control which functions by measuring and evaluating the effectiveness of other controls".

Thus, Internal Audit is clearly within the fifth function: "monitor and maintain direction." However, there are preconditions for effective internal audit which are found in some of the other functions. To put this properly in perspective, it is necessary to define more precisely and fully what is meant by control and the respective responsibilities of management and internal audit.

Effective planning is a **precondition** for control and establishes what is to be done, how and when it is to be done, who is to do it, and what is to be regarded as satisfactory performance. It includes designating objectives, priorities, resource requirements, policies, procedures, organization structures, budgets and standards of performance.

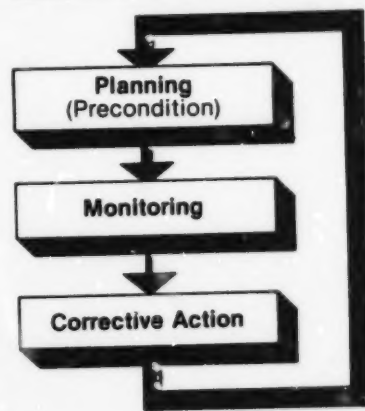
In monitoring, actual performance is compared with that planned. Effective monitoring is dependent on the flow of timely, accurate, concise and relevant information to managers so that matters requiring attention can be acted upon in time to minimize any adverse effect on the organization.

Corrective action is taken to solve problems indicated by deviations from the plan and to make any necessary revisions to plans and standards.

There are three basic aspects to control: planning, monitoring and corrective action.

These three parts of the control function are depicted below.

Figure 1 The Control Function

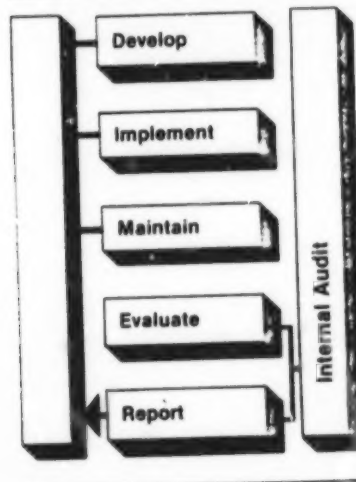


The development, implementation, and maintenance of the control function are management responsibilities.

There is a periodic need to evaluate the effectiveness of the control function for two main reasons. The first is to assure management that it has a viable and reliable basis for control (or, alternatively, that improvements are needed); the second is to report on the extent of compliance.

To sum up, the respective responsibilities of ministry management and internal audit in respect to the control function are depicted on the next page.

Figure 2 Responsibilities in Respect to the Control Function



Although the chart above designates development of the control function as a management responsibility, it is desirable for internal auditors to review at the design stage, the auditability of systems. This applies particularly to electronic data processing systems because of their complexity, growing importance and the cost of any subsequent corrective action. (Please see Appendix A for requirements in the EDP area.)

Two potential areas of conflict can be avoided if it is remembered that Internal Audit is:

Distinct From Program Evaluation

Program evaluation and internal auditing, both being assessment functions, are frequently mistaken for each other. Program evaluation considers the effectiveness of a program to determine, in the light of present circumstances, its adequacy, relevance and the alternatives available.

Internal auditing focuses on the evaluation of financial and management controls within any given program.

A program evaluator basically questions if a program is effective in achieving its stated objectives.

An internal auditor, on the other hand, accepts the validity of the program and reports to managers on whether or not they have adequate control over it.

Distinct From Management

An auditor's role is distinct from that of a manager. His responsibility is to help managers maintain direction so that what they want to happen does in fact occur. To do this, an auditor concentrates on the control systems which keep programs on track.

Internal auditing is not meant to second-guess management nor is it a "witch-hunt" to find errors. Rather, it is meant to be a positive management tool which managers can use to help ensure the success of their programs.

To illustrate this point further, it is management's responsibility to operate programs efficiently and economically. Hence, management develops, implements and maintains the necessary control systems; e.g. systems for measuring productivity or for reporting progress against plans. Auditors aid managers by evaluating these control systems and reporting on whether they work satisfactorily.

Benefits

Internal Audit is an essential advisory tool of ministry management.

When properly developed and effectively employed it provides the following benefits:

(i) assurance to ministry management that their control processes are satisfactory or that weaknesses exist which require corrective action before the functioning of the organization is impaired;

(Internal Audit is a valuable and essential function in ministries of any size, but is particularly useful in complex, decentralized ministries where a large degree of authority is necessarily delegated. In these situations sound accountability and control systems are critical. Therefore, assurance from the auditors on the state of these systems is particularly essential.)

(ii) assistance in the fulfillment of management policies by promoting an understanding of policies amongst auditees and in the improvement of policies by reporting on their effectiveness;

(iii) service in the audit field can be effective training for potential managers because of the wide exposure to the organization and the management process which it provides;

(iv) finally, by providing assurance on ministry control, Internal Audit indirectly benefits central agencies. Management Board Secretariat and the Ministry of Treasury and Economics have chosen to rely upon the internal audit functions of ministries to carry out the auditing requirements associated with their corporate policies. Thus, while the ministry internal audit function is under exclusive direction of ministry management, it provides the information required for the effective operation of their corporate policies.

Audit Organizations in the Government of Ontario

Ministry Internal Audit Branch

The internal audit function in any given ministry will be organized to best meet the needs of that ministry. Since the needs may vary from ministry to ministry, the organization for Internal Audit may vary as well.

However, one denominator, common to all ministries of sufficient size, is the Internal Audit Branch. Ministries of a lesser size are, as a rule, served by Internal Audit Branches of other ministries.

The Internal Audit Branch is characterized by the following features:

- (i) its only function is auditing and it is independent of the regular operations of management. Independence is necessary since the branch is concerned, amongst other things, with assessing controls designed to ensure propriety and probity in the care of government assets;
- (ii) notwithstanding (i), it exists to assist managers and especially the Deputy Minister in discharging their duties;
- (iii) the Internal Audit Branch is expected to specialize in management and financial control systems.

The staff of the Internal Audit Branch are the major continuing participants in the internal audit function in any ministry. The Cabinet and Management Board have agreed that, over time, ministries should, as a goal, work towards establishing a single, integrated, independent internal audit function. However, at present, staff of other organizations may also participate in auditing, on either a full-time or part-time basis.

Personnel Audit Branch Civil Service Commission

This Branch has been established under the authority of The Public Service Act. It reports to the Chairman of the Civil Service Commission.

The Branch audits the application of corporate personnel policies and procedures on a service-wide basis. Its purpose is to evaluate compliance with personnel policies, identify potential for improvement in the personnel systems examined, and recommend changes to ministries and the Commission.

Personnel audits carried out by ministries can complement audits by the Personnel Audit Branch. Indeed, ministry audits may supplement the efforts of the branch, where the reliability of ministry audits is established to the satisfaction of the Commission.

Office of the Provincial Auditor

The Provincial Auditor is an officer of the Legislative Assembly and makes his annual report, through the Speaker, to the Assembly.

The Provincial Auditor is required by The Audit Act (1977) to examine and report on the accounts of receipts and disbursements of public money and on the financial statements of the Province as shown in the Public Accounts. The Auditor is also required either to audit the accounts and financial transactions of agencies of the Crown, or to direct the audits if they are carried out by another auditor.

The mandate of the Provincial Auditor was expanded under the terms of The Audit Act (1977). This Act provides for the Auditor to report on cases where money is expended without due regard to economy and efficiency, or where procedures to measure and report on the effectiveness of programs were not established or were deemed unsatisfactory.

3. Principles and Standards for Ministry Internal Audit Processes

In Chapter 2, the context for internal audit and its objectives, role and potential benefits were discussed.

Chapter 3 provides senior ministry management with the key principles and standards to use in the evaluation of an internal audit function.

Principles refer to the necessary underlying environment and structure in which those responsible for the administration of an internal audit process operate. In this booklet, the principles for the process refer to those pre-conditions which must exist in order for internal audit to be effective. Standards are intended to govern the repetitive process of planning, day-to-day management and reporting in the internal audit function. The principles and standards are a set of criteria against which the quality of the internal audit process can be measured.

The diagram across presents a summary of the principles and standards. The principles are shown in the outer ring providing the necessary framework for the standards in the inner ring.

Figure 3 Principles and Standards for the Internal Audit Process



It is essential to establish the relationship between the principles and standards covered in this part and "Standards for the Professional Practice of Internal Auditing in the Government of Ontario". The latter have been accepted by the internal audit community as their professional code. As part of the standards concerning the day-to-day management of the Internal Audit Branch, the Internal Audit Director is charged with responsibility for ensuring that audit work conforms to the standards for the Professional Practice of Internal Auditing.

Principles

The key principles for an effective and successful internal audit process are organized under five headings: Senior Management Support for Internal Audit, Management Confidence in Internal Audit Staff, Systems-Oriented, Independence, and Mandate.

Senior Management Support For Internal Audit

The involvement and support of the Deputy Minister and senior management is essential to the effective working of the Internal Audit function

Some of the specific ways in which senior management may assist the internal Audit function are:

- Promulgation by the Deputy Minister of a clear statement of the authority, purpose and duties of the internal audit function, including a clear expression of support;
- Providing an effective mechanism for following up and resolving audit recommendations;
- Participating in the audit planning process within an appropriate forum, such as an audit committee. A typical ministry audit committee is described in Appendix B.

Process Principle:

(1) Internal audit has the visible full support of senior management.

Management Confidence in Internal Audit Staff

In order to obtain the full support of senior management, internal auditors must gain their confidence. To do this, internal auditors must ensure that their work is credible, relevant to the specific needs of management, understood, and presented in a way which will maximize its usefulness to the various levels of management.

As well, auditors must establish a positive rapport with management. Hence, auditors should strive to understand management and its problems and challenges and to communicate effectively to management an understanding of the supportive role of internal audit.

Process Principle:

(2) Internal auditors have the confidence of ministry managers.

Systems-Oriented Approach

Managers are more and more asking internal auditors to help them improve their control systems. When errors or problems are identified, the auditor has a responsibility to report not only what happened, but also why it happened and what can be done to prevent a recurrence.

There is an increasing demand for auditors who can help management put their findings into an overall perspective, that is, "put the pieces back together again". Instead of just trying to understand systems by taking them apart, they look at them as part of larger systems. Auditors are, in fact, required to develop a systems-oriented approach.

Process Principle:

(3) Internal auditors look at total control systems as well as specific components.

Independence

To ensure the necessary independence and support for the Internal Audit function, the director of the Internal Audit function should report to the Deputy Minister or to another senior executive who reports directly to the Deputy Minister. If the reporting relationship is the latter, the director of the internal audit function should have ready access to the Deputy Minister.

Process Principle:**(4) The Director of Internal Audit has access to the Deputy Minister.****Mandate**

Each Internal Audit Branch must have Terms of Reference approved by the Deputy Minister and published for the information of all those affected by its activities.

The Terms of Reference should contain, at least, the following headings:

- **Objectives**
Reflecting the three headings of assurance, timely reporting, and change (reference, page 8).

- **Scope of Work**
Describing the area of responsibility assigned to the internal audit function including the responsibility for evaluating and reporting on the ministry's control function, as described on pages 9 to 10. It should include requirements for periodic status reports designed to meet the needs of senior management (reference, page 17, audit reporting).

It is advisable to indicate clearly the distinction between the responsibilities of internal audit, on the one hand, and of program management and program evaluation on the other. The role of internal audit regarding the development of new policies, systems and procedures should be clarified.

- **Scope of Coverage (The "Audit Universe")**

Defining the organization's programs, activities and functions which are subject to audit.

Where agencies, boards and commissions are involved, reporting relationships should be clearly set out.

- **Access to Information**
Establishing the auditor's authority to obtain access to the material and persons required to carry out audits.

- **Reporting Relationship**
The reporting relationship of the director of the internal audit function should be set out.

Since the Terms of Reference of an Internal Audit Branch govern, essentially, its responsibilities and relationships with Senior Management and the organizational units of the Ministry, it is important that they are developed with the assistance of input from these interested parties.

Process Principle:**(5) The mandate of the Internal Audit Branch is clearly and comprehensively expressed in terms of reference.**

Standards

These standards are designed for the typical Internal Audit Branch.

They are organized under three headings: Audit Program Planning, Day-to-Day Management of the Internal Audit Branch, and Audit Reporting.

Audit Program Planning

Regardless of whether internal audit is organizationally integrated, there is a requirement for an integrated internal audit plan. This plan should encompass all internal audits carried out within the ministry regardless of which organizational unit does them. The plan should ensure that overlaps and gaps in coverage are minimized and that an effective mechanism for coordinating the execution of audit activities exists.

An analysis of the ministry should be done, identifying as potential audit areas all organizational components, programs and activities, and revenue from outside sources when applicable. A tentative schedule should be prepared ordinarily extending over several years and updated annually.

The detailed audit program should be developed through a rigorous planning process.

This task should include consideration of:

- The frequency with which the various elements of the control process and the various organizational units, programs, activities and functions are to be audited;
- The scope and objectives for each audit.

(With respect to the two points above, all potential audits should be assessed and prioritized according to defined criteria.)

- The needs, priorities and information requirements of Central Agencies (i.e. Management Board Secretariat and the Ministry of Treasury and Economics) with respect to compliance with their policies, procedures and directives.

Senior management should be involved in the planning process so that their concerns are fully considered.

Process Standard:

- (1) **There is a formal audit program plan, developed through a rigorous planning process.**

Day-to-Day Management Of The Internal Audit Branch

The Director of Internal Auditing is responsible for properly managing the internal auditing branch so that:

- Audit work fulfills the general purposes and responsibilities approved by management;
- Resources of the branch are efficiently and effectively employed;
- Audit work conforms to the Standards for the Professional Practice of Internal Auditing. (See Appendix C)

Process Standard:

- (2) **The Director of Internal Audit is in a position to provide assurance that that branch is properly managed and follows the standards for professional practice set out in Appendix C.**

Audit Reporting

The essence of effective reporting is that it should provide those who need to know with the information they actually require at the appropriate time for them to take action. It follows that there will be several types and levels of Internal Audit reports, each having its own specific purpose.

- **Audit Program Progress Reports**

If the audit program is to achieve its objectives, it must be kept on schedule. A regular series of scheduled interim and annual reports must be provided showing the degree of conformity to the internal audit program plan, noting variances and proposing ways of resolving them.

- **Audit Findings Reports**

Findings should be presented in a way that will maximize their usefulness to the various levels of management. For example, Deputy Ministers may want a summarized account of problems and action needed or taken while directors or supervisors may want a more detailed description of the specific audit findings to enable them to develop solutions to problems.

The scope and objectives of each audit should be carefully explained in the report to the findings so that the extent and nature of the work carried out can be readily understood and assessed.

Reports sent to the Deputy Minister should make it clear whether:

- a) He can place overall reliance on the systems examined;
- b) There are problems but these have been brought to the attention of management and steps are being taken to remedy them;
- c) There are some relatively serious problems which require action on his part.

Efforts should be made to ensure that reports are timely. Where an assignment extends over several months, consideration should be given to the need for interim reports. Any urgent problems uncovered during the course of an audit should be reported immediately.

Process Standard:

- 3. (i) **The status of the audit program is regularly reported on;**
- (ii) **Reports on audit findings are structured to meet management needs.**

Appendix "A"

Requirements for EDP Auditing

Due to the range and sensitivity of data processed by computer, electronic data processing systems warrant particular attention. Moreover, because of the complex nature of a computer systems development process, this process itself merits particular attention. Ministries shall develop and maintain appropriate audit capacity to assure compliance with the full intent of existing government policies in respect to EDP. Accordingly, they should, at a minimum, ensure that the internal audit function:

a) Complies fully with the intent of EDP Financial Systems Accounting Policies. (Reference: Treasury Manual, Statement 102);

b) Participates meaningfully in the design, development and implementation of new systems and the significant modification of existing systems in order to provide assurance that these systems incorporate appropriate controls for the desired level of auditability and data integrity;

c) Provides audit assurance that ministry systems are being developed in accordance with the Government's approved methodology;

d) Conducts post-implementation audits of all (significant) newly installed or modified systems in order to ensure that such systems meet their design objectives and incorporate appropriate controls for data integrity, security and auditability.

Appendix "B"

Description of a Typical Ministry Audit Committee

It is up to each ministry to decide whether an Audit Committee would be useful. It may be a distinct committee or simply a senior ministry management committee sitting as an audit committee. Whatever its form, it should be comprised of senior officials with the rank and authority to ensure adequate consideration of the matters coming before it.

Composition:

Deputy Minister, senior level officials (e.g. Assistant Deputy Ministers/Executive Directors)

Note: *The Director of Internal Audit should not be a member of the Audit Committee. He or she should, however, attend meetings in a staff capacity when requested to do so by the Committee.*

Terms of Reference:

(a) review and approval of the ministry's audit policies, objectives, priorities, scope and coverage;

(b) review and approval of the internal audit plan;

(c) review of internal audit recommendations as well as the responses of program managers to them;

(d) review of recommendations made by the Provincial Auditor, the Standing Committee on Public Accounts, the Personnel Audit Branch of the Civil Service Commission and, in addition, the review of the ministry's response to them to ensure that it represents a balanced view of the ministry's position;

(e) resolution of issues or problems arising between program managers and auditors as a result of the audits and the subsequent follow-up on the implementation of audit recommendations which cannot be adequately addressed at the operating level;

(f) evaluation of the adequacy and reliability of the ministry's control process; and

(g) assessment of the effectiveness of the internal audit function.

Chairman:

Meetings would be chaired by the Deputy Minister.

Meetings:

The Audit Committee would probably meet from two to six times per year as circumstances require.

Minutes:

Formal minutes should be kept to record and convey Committee activities and decisions.

Appendix "C"

Professional Practice Standards

The following has been extracted from "Standards for the Professional Practice of Internal Auditing in the Government of Ontario", developed and issued by the Ontario Public Service Internal Auditors' Council. For complete information on the subject, please refer to this publication.

200 Professional Proficiency – Internal Audits should be performed with proficiency and due professional care.

The Internal Auditing Branch

210 Staffing

The internal auditing branch should provide assurance that the technical proficiency and educational background of internal auditors are appropriate for the audits to be performed.

220 Knowledge, Skills, and Disciplines

The internal auditing branch should possess or should obtain the knowledge, skills, and disciplines needed to carry out its audit responsibilities.

230 Supervision

The internal auditing branch should provide assurance that internal audits are properly supervised.

The Internal Auditor

240 Compliance with Standards of Conduct – Internal auditors should comply with professional standards of conduct.

250 Knowledge, Skills and Disciplines – Internal auditors should possess the knowledge, skills, and disciplines essential to the performance of internal audits.

260 Human Relations and Communications – Internal auditors should be skilled in dealing with people and in communicating effectively.

270 Continuing Education – Internal auditors should maintain their technical competence through continuing education.

280 Due Professional Care – Internal auditors should exercise due professional care in performing internal audits.

440 Performance of Audit Work – Audit Work should include planning the audit, examining and evaluating information, communicating results, and follow up.

410 Planning the Audit

Internal auditors should plan each audit.

420 Examining and Evaluating Information

Internal auditors should collect, analyze, interpret, and document information to support audit results.

430 Communicating Results

Internal auditors should report the results of their audit work.

440 Following Up

Internal auditors should follow up to ascertain that appropriate action is taken on reported audit findings.

500 Management of the Internal Auditing Branch—The Director of Internal Auditing should properly manage the Internal Auditing Branch.

510 Purpose, Authority, and Responsibility

The director of internal auditing should have a statement of purpose, authority, and responsibility for the internal auditing branch.

520 Planning

The director of internal auditing should establish plans to carry out the responsibilities of the internal auditing branch.

530 Policies and Procedures

The director of internal auditing should provide written policies and procedures to guide the audit staff.

540 Personnel Management and Development

The director of internal auditing should establish a program for selecting and developing the human resources of the Internal Auditing Branch.

550 External Auditors

While most ministries do not employ External Auditors it is common practice in some Agencies, Boards and Commissions. The director of internal auditing should coordinate internal and external audit efforts.

560 Quality Assurance

The director of internal auditing should establish and maintain a quality assurance program to evaluate the operations of the Internal Auditing Branch.

Appendix "D"

Summary of the Principles and Standards for Ministry Internal Audit Processes

The internal audit process is satisfactory when:

Principles

1. Internal audit has the visible full support of senior management.
2. Internal auditors have the confidence of ministry managers.
3. Internal auditors look at total control systems as well as specific components.
4. The Director of Internal Audit has access to the Deputy Minister.
5. The mandate of the Internal Audit Branch is clearly and comprehensively expressed in terms of reference.

Standards

1. There is a formal audit program developed through a rigorous planning process.
2. The director of internal audit is in a position to provide assurance that the branch is properly managed and follows the standards for professional practice set out in Appendix C.
3. (i) The status of the audit program is regularly reported on; and
(ii) Reports on audit findings are structured to meet management needs.